

December 27, 2001

D.T.E. 01-78

Petition of Boston Edison Company d/b/a NSTAR Electric for approval of its 2001 Transition Charge True-Up, pursuant to G.L. c.164, § 1A(a), 220 C.M.R. § 11.03(4) and the Restructuring Settlement Agreement approved by the Department of Telecommunications and Energy in D.P.U./D.T.E. 96-23.

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FOR: BOSTON EDISON COMPANY
Petitioner

I. INTRODUCTION

On December 3, 2001, pursuant to G.L. c. 164, § 1A(a), 220 C.M.R. § 11.03(4) and the Restructuring Settlement Agreement approved in Boston Edison Company,

D.P.U./D.T.E. 96-23 (1998), Boston Edison Company d/b/a NSTAR Electric (“BECo” or “Company”) filed with the Department of Telecommunications and Energy (“Department”) its 2001 reconciliation filing (“2001 Reconciliation”), which included reconciliation of transition, transmission, standard offer service (“SOS”), and default service costs and revenues, and which proposed updated charges and tariffs to be effective January 1, 2002. The Company requested approval of the following revised tariffs effective January 1, 2002: M.D.T.E. Nos. 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973.¹

In a separate filing, on December 3, 2001, the Company filed a proposed Standard Offer Service Fuel Adjustment (“SOSFA”) for 2002. The Department, on its own motion consolidates the Company’s December 3, 2001 SOFSA filing into this proceeding. 220 C.M.R. § 1.09; Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70, at 15 (2000). The Company proposes to reduce the SOSFA factor from its current level of \$0.02551 per KWH to \$0.01426 per KWH, resulting in a decrease of \$0.01125 per KWH. The proposed SOSFA factor of \$0.01426 per KWH would be added to the 2002 base SOS price of \$0.042 per KWH and the 2002 SOS surcharge of \$0.0075 per KWH, resulting in a

¹ On December 14, 2001, BECo withdrew its proposed tariff for Rate WR, M.D.T.E. 960, and instead requested approval of a new Rate WR, M.D.T.E. No. 974, to be effective January 1, 2002. The Department is reviewing M.D.T.E. No. 974 in a separate docket, D.T.E. 01-108.

total SOS price of \$0.06376 per KWH.

Notice and a request for comments was issued to all the participants in Boston Edison Company, D.P.U./D.T.E. 96-23 (1998); Boston Edison Company, D.T.E. 97-113 (1998); Boston Edison Company, D.T.E. 98-111 (1999); Boston Edison Company, D.T.E. 99-107 (1999); Boston Edison Company, D.T.E. 00-82; and Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70 (2000), and to any person who has filed a request for notice with the Company. On December 14, 2001, the Attorney General of the Commonwealth of Massachusetts ("Attorney General") filed comments. On December 20, 2001, the Company replied to the Attorney General's comments.

II. ANALYSIS AND FINDINGS

Based upon the Department's review of the Company's filing and the comments received, the Department has determined that further investigation is necessary. The Department finds that the tariffs filed by the Company on December 3, 2001 for service on and after January 1, 2002, are in compliance with Department precedent² and G.L. c. 164, § 1B(b). Therefore, allowance is in the public interest and the proposed adjustments are approved for consumption on and after January 1, 2002. The rate changes are allowed, subject to reconciliation pursuant to the Department's ongoing investigation.

On December 4, 2000, the Department allowed the Company to implement a SOSFA as a result of substantial increases in fuel costs, which caused the Company to accrue deferrals

² Boston Edison Company, D.T.E 99-107 (December 17, 1999 Letter); Standard Offer Service Fuel Adjustment, D.T.E. 00-66, 00-67, 00-70 (December 4, 2000 Letter Order).

at a significant and highly problematic rate. Standard Offer Service Fuel Adjustment, D.T.E. 00-66, 00-67, 00-70 (December 4, 2000 Letter Order at 3). The Company proposes to continue implementation of a SOSFA factor during 2002. For the period beginning January 1, 2002, the Company proposes a SOSFA factor at \$0.01426 per KWH, a decline of \$0.01125 per KWH from the existing SOSFA factor of \$0.02551.³ The lower SOSFA factor is based on a decline in fuel costs that has occurred since approximately mid-2001. While these fuel costs have declined, the SOSFA trigger formula is based on a twelve-month historic “rolling” average of natural gas and fuel oil prices, applied prospectively once a threshold level is exceeded.⁴ Therefore, although energy prices were rising, implementation of the SOSFA factor was delayed until the historic average of fuel prices exceeded the threshold. While this rolling average delayed implementation of the SOSFA factor, it also delays the point at which the declining fuel prices cause the rolling average to fall below the threshold level. Therefore, the Department will allow the continuance of the SOSFA factor while the formula is above the threshold level.

As energy prices continue to decline, it is estimated that fuel prices will fall below the threshold level after March of 2002.⁵ Therefore, no good cause exists at this time to extend

³ BECo indicates that its SOSFA will be implemented only through June 30, 2002 (Exh. BEC-RAP-2 at 8).

⁴ Boston Edison Company, M.D.T.E. No. 953.

⁵ See Massachusetts Electric Company, D.T.E. 01-102, at 2 (2001).

application of the SOSFA beyond this period.⁶ Accordingly, the Company is permitted to apply a SOSFA of \$.01426 per KWH to electricity consumed on and after January 1, 2002, but only through March 31, 2002. At that time, the Company may make a demonstration that fuel prices warrant a continued implementation of the SOSFA.

III. ORDER

After review and consideration, it is

ORDERED: That the operation of revised tariffs submitted by Boston Edison Company with the Department on December 3, 2001, M.D.T.E. Nos 958, 959, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973 for service on and after January 1, 2002, are ALLOWED; and it is

FURTHER ORDERED: That the transition, transmission, standard offer service and default service costs and revenues for Boston Edison Company are subject to reconciliation pursuant to an investigation; and it is

⁶ Fitchburg Gas and Electric Light Company and Massachusetts Electric Company, unlike BECo, incur costs directly related to the fuel mechanism. C.f. Massachusetts Electric Company, D.T.E. 01-102 (2001), Fitchburg Gas and Electric Light Company, D.T.E. 01-103 (2001).

FURTHER ORDERED: That a standard offer service fuel adjustment of \$0.01426 per KWH is approved for electricity consumed on and after January 1, 2002 through March 31, 2002.

By Order of the Department,

James Connelly, Chairman

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).